



County of Los Angeles CHIEF EXECUTIVE OFFICE

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March 23, 2010

To: Supervisor Gloria Molina, Chair
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From: William T Fujioka
Chief Executive Officer

Tom Tindall, Director
Internal Services Department

REPORT ON THE IMPACT OF PROPOSED RATE INCREASES BY THE LOS ANGELES DEPARTMENT OF WATER AND POWER (RESPONSE TO ITEM 61-B, AGENDA OF MARCH 16, 2010)

On March 16, 2010, acting on a motion by Supervisor Yaroslavsky, your Board directed this Office and the Internal Services Department to report on the projected cost impact to the County of a proposed "carbon reduction surcharge" by the City of Los Angeles Department of Water and Power (DWP). This memo provides an assessment of the known components of the DWP proposal.

On March 15, 2010, Los Angeles Mayor Antonio Villaraigosa proposed increases to DWP customers' electric bills with the stated goal of securing 20 percent of DWP's energy from renewable sources, such as wind and solar, by the end of 2010. The increased revenue is to be collected through a modification to DWP's Energy Cost Adjustment Factor (ECAF) cap and will help pay for new environmental initiatives, including conservation. The increase has been identified as a "Carbon Reduction Surcharge." ECAF collections may also be used to support the cost of existing renewable programs and pay the fluctuating cost of fossil fuels for DWP's power plants.

On March 18, 2010, the Board of Water and Power Commissioners approved raising the ECAF to 0.8 cent per kilowatt hour (kWh) effective April 1, 2010. The Los Angeles City Council must now decide whether to conduct its own review of the proposal, which will otherwise take effect.

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Honorable Board of Supervisors

March 23, 2010

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Under the plan, residential ratepayers will pay from 8.8 percent to 28.4 percent more for their electricity. Commercial ratepayers, including most County facilities, could see increases in the average bill ranging from 20 to 26 percent.

Under the current DWP rate structure, the ECAF is assessed on a cents-per-kWh basis to nearly all DWP ratepayers, regardless of tier, zone, or type of service. The proposal would increase the ECAF to 0.8 cent per kWh effective April 1, 2010, with additional increases of 0.8 cent per kWh to be effective July 1 and October 1, 2010, followed by an additional 0.3 cent per kWh increase on January 1, 2011. The overall budgetary impact of these proposed increases is 1.9% in Fiscal Year (FY) 2009-10 and 21.7% in FY 2010-11.

Unless rejected by the City Council, the proposal's cost impact on the County's nearly 1000 DWP electric accounts will be significant. Based on County departments' total electrical consumption from DWP, we estimate that the County could see a cost increase of \$700,000 during the remainder of FY 2009-10, and an additional \$8.9 million during FY 2010-11, resulting in a total annualized cost increase of \$9.6 million.

We will advise your Board further as events develop. If you have any questions, please contact Tom Tindall at (323) 267-2101.

WTF:ES:TT

c: Executive Officer, Board of Supervisors